

Initial comments on immigration assumptions & projections

Michael S. Teitelbaum

Technical Panel
Social Security Advisory Board

March 13, 2015

TP charge re: immigration–review:

- Key assumptions
- Current projection methodologies
- Improve presentation of key concepts in Trustees report
- Status of recommendations of previous TPs

Is immigration impt for projections?

- Yes... very, and becoming more so
- Large, & rising, % of demographic change
- Currently ~50% of net demographic increase
- “Natural increase” (births – deaths) = **1.3m**
 - Births 3.9m, deaths 2.6m (2013 – CDC)
- Net immigration = **1.3m** (2013 - OCACT)
 - Excludes births to immigrants
 - If included immigration > 60% net demographic change

Projection challenges daunting

- US immigration data notably weak (cf. fertility, mortality)
- Immigration volatile, unpredictable (vs. fertility, mortality)
- No credible theory of how to project immigration
- Policy impacts migration more than fertility or mortality
 - Visa demand exceeds supply: law & administration regulate
 - Interactions & systemic effects often not understood/considered
 - Outcomes often not as promised, nor anticipated
 - Many examples: 1965 Act, 1986 IRCA, 1990 (H-1B visas)

Defining “current “law” re: immigration?

- Trustees avoid anticipating legal changes
 - Exception: repetitive history (e.g. Medicare “doc-fix”)
- Immigration: law is weak, enforcement varies
- Repetitive “fixes”? 1½ large legalizations since 60s
- Executive actions 2014/15: large, vigorously contested
 - Some past examples, as supporters argue
 - But much more limited, and were not challenged
 - Currently under strong challenge: judicial & legislative
- Should we assume executive actions=“current law”?

How project 75-years, for volatile, unpredictable, poorly-understood, politically-driven process?

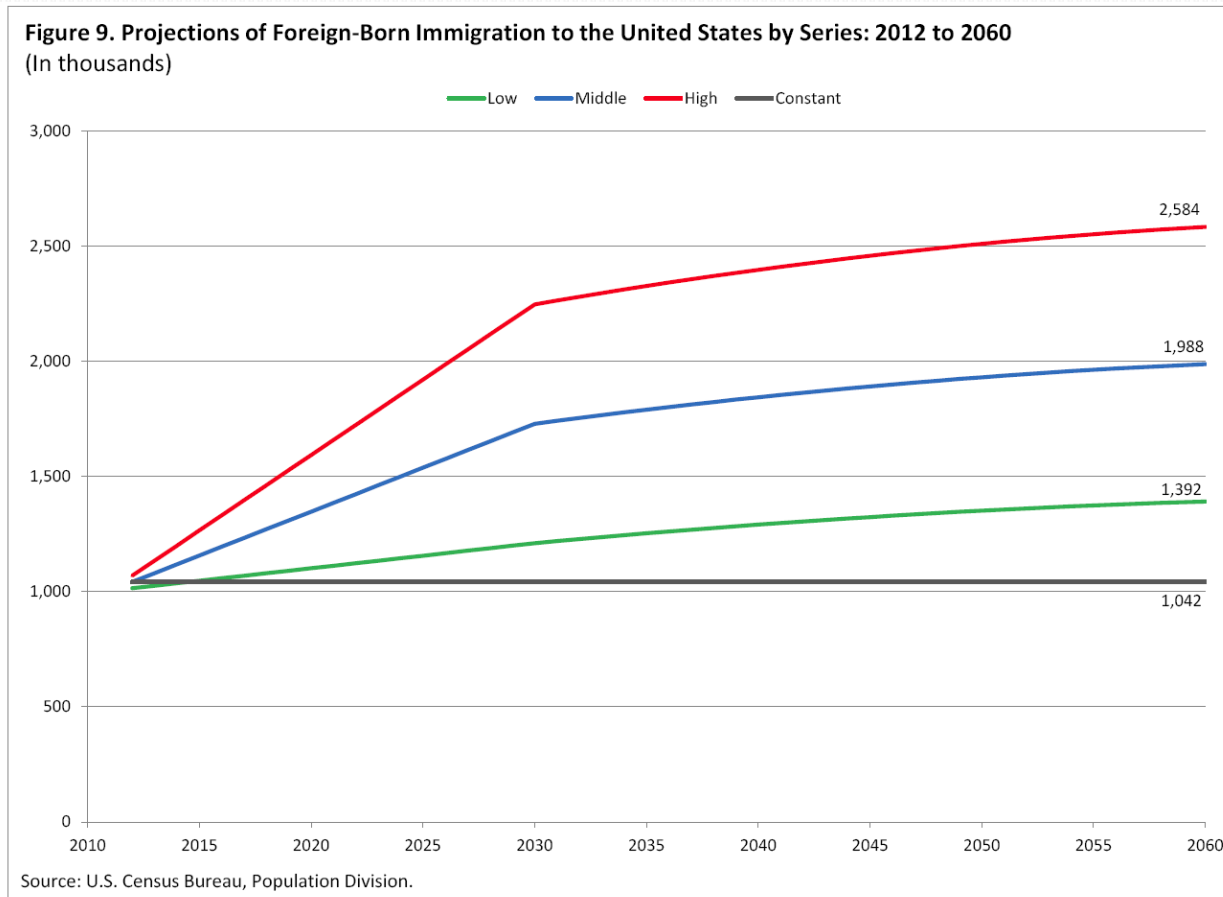
- Past immigration projections: really poor track record
- Yet 75-yr projections by Trustees are required
 - & net immigration now a major demographic driver
- Sympathy in order for Trustees and OCACT
 - Is the law requiring them to project the Unprojectable?
- And humility is in order for us...

Demographic impacts surprise non-experts

- Increase immigration to compensate for “aging”?
- Does have large impacts on demographic increase
- Yet small effects on e.g. % “working age”
- Census Bureau (2013): % 18-64 = 62.0% (2015)
 - Alternates (a/o 2060) population % 18-64
 - Low net int’l migration: (-22.1m) 56.35%
 - Middle net int’l migration: (----) 56.86%
 - High net int’l migration: (+22.1m) 57.31%
- Births=main immigration effect on age structure

Census: immigration variants

(Note: high/low = +/- 30% of middle)



Clarify: Trustees use own migration categories

- *Legal immigration*: only Legal Permanent Resident (LPR) status
- *Legal emigration*: citizens & LPRs who depart SS area
- **“Net legal immigration”**: difference between two
- *“Other immigration”*: enter SS area, stay year-end, w/o LPR
 - Unauthorized (border-crossers, over-stayers) - largest
 - Foreign workers with temporary visas (i.e. not LPR)
 - International students
- *“Other emigration”*: depart SS area; adjust to LPR
- **“Net other”**: “other immigration” minus “other emigration”
- **“Net immigration”**: “net legal” plus “net other”
 - Separate assumptions for “low-cost”, “intermediate”, “high-cost”

Legal immigration

- **NB: Trustees include only permanent visas in “legal”**
 - **Confusion: This distinction absent in common usage**
- **Largest “legal permanent” visa is numerically unlimited**
 - **Immediate family of US citizens; admitted as LPRs**
- **However, temporary visas can (and do) “adjust” to LPR**
 - **via employment-based permanent visa**
 - **via marriage**
- **LPRs in turn can naturalize to US citizens**
 - **Then eligible for unlimited visas for immediate family**
- **“Social Security area” adds complexity & difference**
 - **Includes non-citizens & citizens living abroad with SS benefits**

Temporary visas

- “Nonimmigrant” is legal term (vs. “immigrant”)
- >70 visa categories
- Trustees definition excludes from “legal immigration”
 - in “other immigrants” (mostly unauthorized)
- Yet for SSA purposes “temporary” migrants are:
 - Legal
 - Social Security-eligible
 - Numbers have become large, & increasing
 - Not “permanent”, but can be long, >40 quarters

Trustee assumptions

➤ Legal IMMigration:

- 1,050,000 per year (intermediate)
 - High alternative = 1,250,000
 - Low alternative = 850,000
 - i.e. range around intermediate +/- 200,000

➤ Legal EMigration variants:

- 25% of assumed annual immigration (or 20% or 30%)

➤ Net legal immigration:

- 790,000 per year (intermediate)
 - “Low-cost” = 1,000,000/year
 - “High-cost” = 595,000/year

Trustee assumptions re: “other”

- “Other” IMMigration (intermediate):
 - 1.4m (2014) , rises to 1.6m (2018/19), then declines to...
 - 1.4m (constant 2022 onward)
- Other EMigration: projections assume increase
- **Net “other” immigration** therefore assumes decline
 - 535,000 (2015) [rises to 690,000 (2018), then declines]
 - 405,000 (2025)
 - 315,000 (2040)
 - 275,000 (2070)
- i.e. **42% decline (2040), ~50% decline (2070)**

Explanation: Trustees 2014, p. 83

“...projected net other immigration is about 555,000 persons for 2014, and about 690,000 persons for 2018

...then *sharply decreases to about 435,000 for 2022, primarily due to the decline in the number of other immigrants entering the country.*


...followed by a *more gradual decrease after 2022 to about 315,000 for 2040 and 270,000 for 2090....due to the increasing number of other immigrants residing in the Social Security area.* Because the number of other immigrants leaving the Social Security area is based on rates of departure, an increase in the number of other immigrants residing in the Social Security area results in an increase in the number who emigrate out of the area.

... All other components of other immigration and emigration are assumed to be stable after 2022, and thus do not contribute toward any change in net...”

Q: Explanation in common-English needed?

An attempt at a summary

- Most immigration components held constant to 2088
- Exception: assumed decline in “net other immigration”
 - By >40% over next 25 years
 - From 535K (2015) to 315K (2040) [Trustees 2014, p. 84]
- Other IMMigration rises, then declines (due enforcement)
 - Then assumed to remain constant @1.4m/year
 - “low-cost” = 1.7m; “high-cost”= 1.1m (i.e. +/- 300K/year)
- Meanwhile “other EMmigration” assumed to rise post-2022
 - **Approximately constant @2.8% of pool, applied to growing stock**
- Result: >40% declines in “net other immigration” by 2040



Values Used for 2014 Trustees Report					
Alternative	Year	Gross Legal	Net Legal	Gross Other	Net Other
Low Cost:	2014	1,125,000	900,000	1,500,000	630,000
	2020	1,250,000	1,000,000	1,800,000	735,000
	2030	1,250,000	1,000,000	1,700,000	495,000
	2040	1,250,000	1,000,000	1,700,000	410,000
	2050	1,250,000	1,000,000	1,700,000	370,000
	2060	1,250,000	1,000,000	1,700,000	350,000
	2070	1,250,000	1,000,000	1,700,000	340,000
	2080	1,250,000	1,000,000	1,700,000	335,000
Intermediate:	2014	1,050,000	790,000	1,400,000	555,000
	2020	1,050,000	790,000	1,500,000	560,000
	2030	1,050,000	790,000	1,400,000	370,000
	2040	1,050,000	790,000	1,400,000	315,000
	2050	1,050,000	790,000	1,400,000	295,000
	2060	1,050,000	790,000	1,400,000	280,000
	2070	1,050,000	790,000	1,400,000	275,000
	2080	1,050,000	790,000	1,400,000	270,000
High Cost:	2014	975,000	685,000	1,200,000	405,000
	2020	850,000	595,000	900,000	135,000
	2030	850,000	595,000	1,100,000	295,000
	2040	850,000	595,000	1,100,000	250,000
	2050	850,000	595,000	1,100,000	230,000
	2060	850,000	595,000	1,100,000	220,000
	2070	850,000	595,000	1,100,000	215,000
	2080	850,000	595,000	1,100,000	210,000

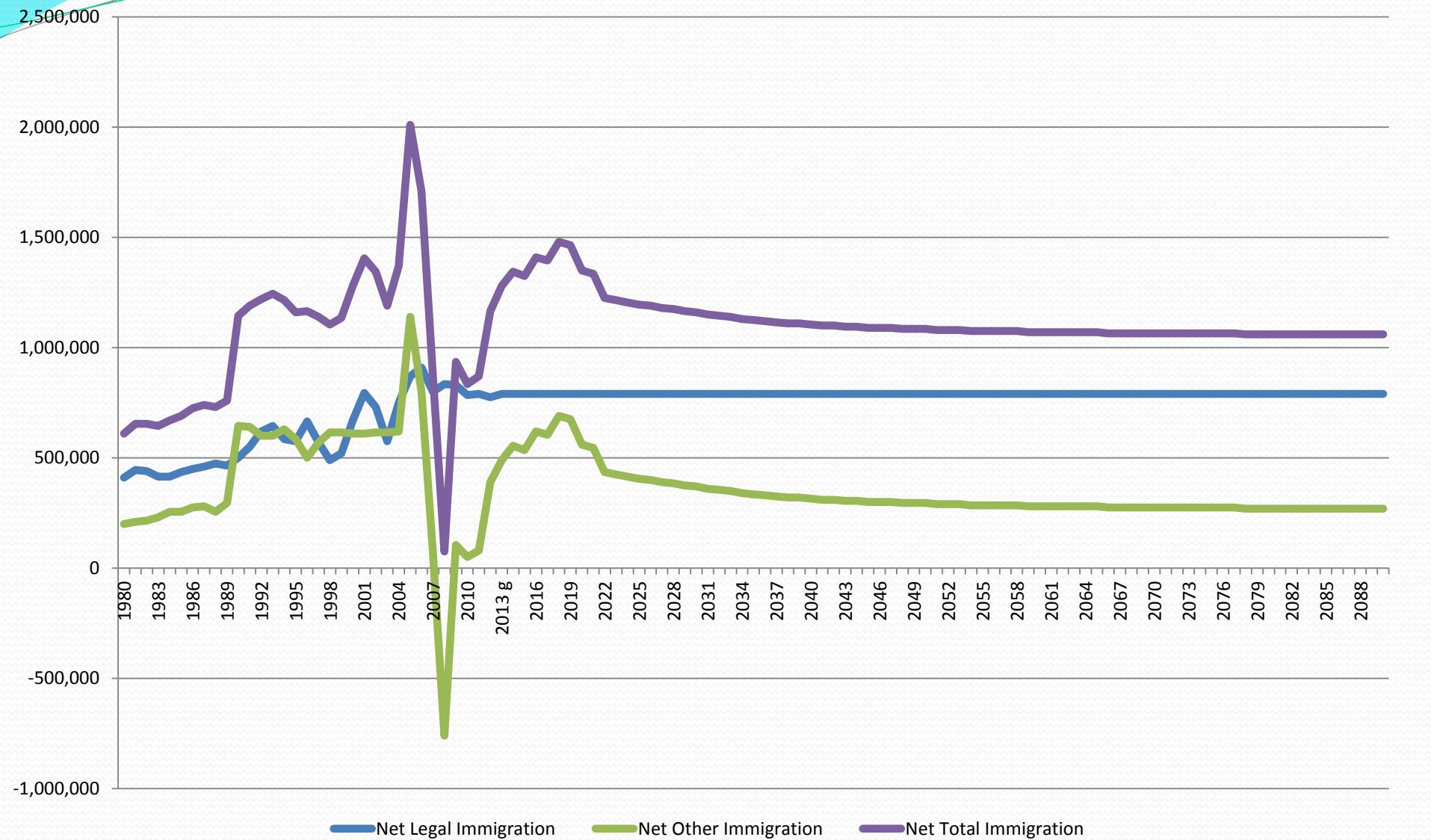
-47%

-52%

-49%

Social Security Administration
Office of the Chief Actuary
July 28, 2014

Net immigration estimates/projections, Trustees 2014 intermediate, 1980-2090



Effects on projected **total net immigration**

- “Net legal” plus “net other” immigration
- Absolute numbers projected...
 - 20% decline
 - from 1.325m (2015) to 1.060m (2090)
- As fraction of projected US population...
 - 56% decline
 - from 4.05 to 1.76 per 1000 population

Possible? Plausible? Likely?

- Arguments in support:
 - Immigration enforcement will be more effective?
 - Emigration incentives in source co's will decline?
 - More “competition” for world's immigrants?
 - Advocacy to expand temporary visas will decline?
- All such changes are possible
- But in my judgment -- not very likely
- Trustees projected immigration scenario possible
- But less plausible than several alternatives

Other plausible changes; more likely?

- Legalizations stimulate unauthorized flows?
- Law enforcement continues limited, or weakens?
- Additional source countries emerge?
- Employer advocacy persists to expand temp visas?
- Implications for projection assumptions:
 - “Net other” would grow, rather than decline >40%
 - “Net legal” would grow, due feedback loops
- A minimalist speculation: no substantial declines
 - Census Bureau: most projection variants show rise

How project “Executive Actions?”

- First, decide if “current law” (judicial review? Congress?)
- Waiver numbers are large (4-5m)
- 2-3 year sunsets, but renewable indefinitely(?)
- If Executive Actions = “current law”, should we assume...
 - Work permits and SS numbers will be issued?
 - Any effects for SS benefits: currently prohibited if never had a “work-authorized SSN at some point in time”?
 - See: Actuarial Note 151, 2013, p. 2
- Lagged rise in family visas for adjust to LPR & naturalize?

Record of past projections humbling

- **Census Bureau, 2009:**
 - Forced to revise its 2008 pop projections due immigration assumptions
 - Had used 31-year historical trend, but ACS data diverged lower
 - 2008 projection: rising net immig, 1.338m in 2010 to 2.047m in 2050
 - 2009: new high, low, constant=> large diff's in 2050 projected pop
 - 2008 projected 2050 population: 439m --
 - 2009-constant (975K/year): 399m (-40m, -9%)
 - 2009-high (1.55m=>2.38m): 458m (+19m, +4%)
 - 2009-low (1.16m=>1.76m): 422m (-17m, -3%)
- Led Census Bureau to change its projection methodology:
 - 2014 proj: constant out-migration rate from primary source co's
- Q: Are constant emigration rates from source countries likely?
- Q: Can major source countries change over 75 yrs (legal, other)?
- <http://www.census.gov/population/projections/data/national/2009/2009comparisonfiles.html>

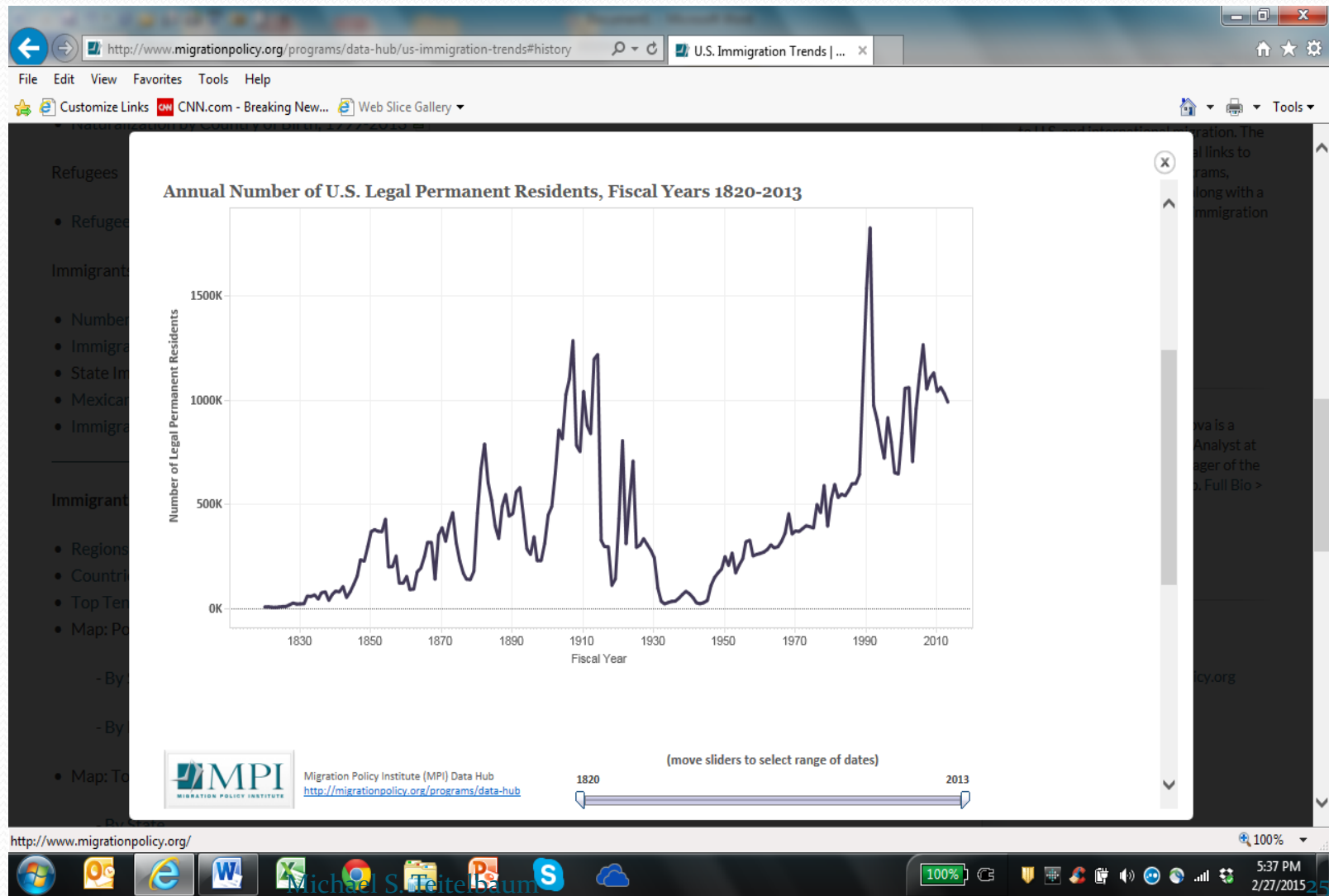
Also humbling: past TP recommendations

- 2003 TP:
 - Assume net immigration growth rate = $\frac{1}{2}$ total population growth rate
- 2007 TP:
 - Assume 1.35m net total immigration
 - Then increase this @ 1%/year for 25 years
 - => ca. 1.45m by 2014 (?)
 - Yet since 2007, net increase has been zero(?)
 - Great Recession? -- but how could they have known?

2011 TP recommendations

- Project net total immigration as constant % of US pop
- Base constant % on very-long-run average rates
 - Over 110 years (1900-2010)
 - Or even over 190 years (1820-2010)
- Recommendation: 3.2 per 1000 (intermediate)
- Such a number might pass the smell test right now
 - But rationale not very compelling
 - Using 31-year net immigration trends misled Census Bureau
 - 1900-2010 average crude birth rate to project future fertility?

Legal immigration 1820-2013



Or 1900-2013



Other points that may warrant discussion...

- How do projections apply age structure of emigrants?
- How should projections address strengthening (?) relationship between net immigration and economic cycles?
 - *“The 2000s provide recent reminder of immigration’s volatility with economic shifts...” 2011 TP, p. 65*
- Fraudulent SS #'s: What do we know quantitatively?
 - *“After 2001, however, SSA became far more vigilant on identification and these cases are (now) assumed to be relatively rare.” (Actuarial Note 148, p. 3)*
- Political pressures on projections? Refusals to project?



Lots to discuss here!...